

The FT acknowledges tax avoidance is real, deliberate a...

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The FT [has reported this morning](#) that:

US tax authorities are targeting cross-border finance deals worth billions of dollars between leading US and UK banks as they step up efforts to clamp down on abusive tax avoidance, a joint investigation by the Financial Times and ProPublica, the not-for-profit news organisation, has found.

Four US banks — BB&T, Bank of New York Mellon, Sovereign (now part of Santander of Spain), and Wells Fargo — are in turn suing the US government over more than \$1bn in tax credits that the Internal Revenue Service has disallowed over the past decade. Washington Mutual has settled a similar dispute and Wachovia is pursuing an administrative complaint over a deal.

The UK's Barclays emerges as a pivotal promoter of the complex cross-border deals, which the IRS claims were designed to generate artificial foreign tax credits.

The cases have become a crucial early [battleground between the US and multinational banks and companies](#) in the wider debate over so-called [tax arbitrage](#), and whether companies exploit gaps between international tax systems to benefit their bottom lines.

[The best link to their analysis is here.](#)

The deals were complex, deliberately structured, are claimed to be legal (which I don't doubt) but are being challenged because legal they may be, but tax credit loss generating they are not according to the IRS. Clearly I can't decide that, but I have strong inkling they're right.

I'm interested to note that not only were Barclays purveyors, at considerable cost to HMRC (so please don't tell me there's no tax gap now, or that it's not much bigger than the paltry sums HMRC say it is when these deals alone are meant to have cost \$800 million to HMRC - and that's just one set of deals in one bank) but that KPMG are named as designers alongside them.

The analysis is all in the linked article. I won't repeat it.

But what this does prove is three things:

a) The FT things tax avoidance is real

b) It thinks it is abusive

c) It thinks it is extraordinarily costly

d) It thinks it is deliberate

e) It thinks it can be stopped

I think all are important.

I rest my case.